

Commission on Streamlining Government

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Advisory Group on Outsourcing, Privatization And Risk Management

Minutes Meeting of October 23, 2009

I. CALL TO ORDER

A meeting of the Advisory Group on Outsourcing, Privatization and Risk Management at the Lafayette Consolidated Government Building, Executive Conference Room, Second Floor, 705 West University Ave., Lafayette, Louisiana. The Chairman, Roy O. Martin called the meeting to order at 2:03pm.

II. ROLL CALL

The Secretary Gail Brister called the roll and noted the following concerning members present:

MEMBERS PRESENT:

Roy O. Martin - Chairman
Bill Fenstermaker
Raymond Peters

MEMBERS ABSENT:

Rep. Brett F. Geymann
David Perry

STAFF PRESENT

Tom Wade - Coordinator
Gail Brister - Secretary

III. WITNESSES PRESENT

Ann Silverberg-Williamson, CEO of the Louisiana Association of Non-profit Organizations
Mike Martin, Chancellor, Louisiana State University
Eric N. Monday, Interim Vice Chancellor, Louisiana State University

IV. REPORTS AND PRESENTATIONS:

- Ann Silverberg-Williamson with the Louisiana Association of Non-profit Organizations

- Interim Vice Chancellor Eric Monday with Louisiana State University
 - Chancellor Mike Martin with Louisiana State University
1. Automobiles
 2. Safety issues
 3. Ratio of clerical/support to supervisors
 4. Building programs
 5. Redundant programs
 6. Outsourcing high cost areas (e.g., printing)
 7. Streamlining accounting system

V. DISCUSSIONS

Chairman Roy O. Martin called the meeting to order. We will have roll call. The roll was called. There are three members present and a quorum. The first order of business will be the approval of minutes of the last meeting, October 7, 2009. Mr. Raymond Peters made the motion to approve and Mr. Fenstermaker second the motion. We are happy to have Ann Williamson with the Louisiana Association of Non-profit Organizations. We would like to have her to come up and speak.

Ann Silverberg-Williamson. I am the President and CEO with the Louisiana Association of Non-profit Organizations and also the voice of the non-profits for the state of Louisiana. We represent 9% of Louisiana workforce across the state.

Joining you today, I appreciate the recent dialog regarding the role and the function of non-profits in Louisiana, specific to line items and public investment into our sector. This provides a welcomed opportunity to clarify the demonstrative value of non-profits throughout our community. Clarifying the higher degree of aptitude, efficiency, and passion with which we provide critical services to Louisiana, we believe that any and every non-profit should be held up to the highest ethical standard and accountability for results. Any process through which the non profit sector receive government dollars should be transparent, competitive and in complete alignment with specific deliverables that the government expects. That means on time, within budget, and to the satisfaction not only of the customers but also the state's expectations relative what it has purchased.

In considering the work before you as the Streamlining Commission and this subcommittee on Outsourcing, Privatization and Risk Management, I thought that it would be of value to underscore the unique strength of the non-profit sector, examples of existing non-profit outsourcing partnership and opportunity in the environment of government streamlining for the non-profit sector to indeed be a strength as a third sector for our citizenry. There are four key advantages that the non-profit sector offers. As a partner with the public sector, we can provide great innovation, creativity, flexibility in responding to the needs of our citizens. Second, we operate without the constraints of a bureaucracy. You may know that I have had the blessing and the good fortune to be a public servant for the state of Louisiana for eight years. The third aspect of the non-profit sector that is distinct is our accountability to community by the very nature of our proximity. We are within the community. We are governed by boards of directors who have a very day-to-day hands on presence. The needs of the community and its identity are tied to the performance of that non-profit day in and

day out. Fourth, I believe in the high moral commitment that drives the non-profit sector is distinct and unique. I have the benefit and appreciated being able to go online on computer and see some of the recommendations you are already positioned to make to the Commission. One that caught my attention is the outsourcing for safety compliance. Well, I am so proud and excited to share with you that Louisiana's Safety Council, a non-profit organization, is amazing in the quality of service that it provides to eight hundred and nineteen active members today. These are businesses and industries who's workforce they rely on and need to have OSHA compliance and training, on line securitized information systems that the safety council provides. The safety council creates the curriculum, everything on site and again a non-profit that has been about performance and results and efficiencies.

Another recommendation that comes out of the subcommittee had to do with food service. Cafe` Reconcile is a non-profit that has existed right under twenty years now. Cafe` Reconcile serves youth ages sixteen to thirty-five in the New Orleans area. After school, through jobs at Cafe` Reconcile, this program teaches these youth adults a trade which is applicable to the industry and hospitality and food services because of what Cafe` Reconcile offers. So this is a non-profit that is providing a service and at the same time benefitting the youth who otherwise could be involved in untoward activities that would have them off-path rather than on-path to a marketable skill and position in society. That is one tangible example. Cafe` Reconcile is very famous for where the first ladies like to visit when they come here from Washington. In your community, St. Vincent de Paul, other food banks, food kitchens, and other non-profits day in and day out know what it means to prepare a meal and provide and be responsive to the needs of the community.

We know in the state of Louisiana that we strapped with a two hundred and seventy-two percent growth in the incarceration rate just in the last twenty-seven years. Evidence based re-entering services that are provided by the non-profit sector – these are life skills, financial literacy, parenting, job training, again, on and on – skills to assure that offenders, and we have, ninety-five percent of the incarcerated will re-enter their community. If they go back to their community with this training we will see that they are less likely to return to prison. And for every percent of recidivism that we reduce in the state of Louisiana, that is twelve million dollars of savings just for the state. For every percent that we reduce recidivism that is twelve million dollars for the state and these are the kinds of services that the non-profit sector is providing and can continue to provide in its partnership with the state.

In conclusion, just as the state is considering in this environment opportunities for partnering with business and industry, and outsourcing for the purpose of leveraging the taxpayer dollars, I strongly urge you to give every consideration to the facts and the reality that stand with partnerships between the non-profit sector and the public sector. The non-profits allow tax payer dollars to be leveraged with charitable donations as well as with the human resources of individuals who are truly called to this service. They are called to this service for the sake of the results and for the sake of the outcome because they want to see the quality of life in the state Louisiana better for themselves and for the generations to come after them. We in the non-profit sector want to assure you that we are understood as a results-based, accountable sector. We are not a sector in it because it feels good; we are a sector in it because we want to be doing the right thing, which is impacting these critical outcomes that continue to cost our state. As you grapple with modifying the role of government, the standard for the quality of life should remain the highest that we all want it to be for Louisiana.

The misnomer that the thirty million dollars of discretionary spending that is line-item allocated in HB 1 is a general reflection of the non-profit sector must be overcome and it is my job to help overcome it, and I am here with you today because I want to make that perfectly clear. The non-profit sector as a sector is committed to the highest ethical standard, transparency, accountability, and openness. I will be happy to answer any questions and I thank you.

Mr. Ray Peters said the question I have is, having experience as the former chairman of the board of the United Way of Central Louisiana and which is also LANO certified. One of the challenges we have is that even with the standard of excellence is as we manage to measure the success of programming, it's difficult sometimes to get your arms around that so we are putting money around the project but we need an outcome, we need a target. A lot of the agencies have a difficult time dealing with the outcome and measuring the outcome, so as you look at that and give that some consideration, in terms of your argument, and say are we going to manage this well or we believe we are going to do that, but we are going to actually take and look at some outcome measures and say any money that will go to the non-profit sector will be managed in a defective way.

Ms. Williamson said had this quantifiable return.

Mr. Peters said right.

Ms. Williamson said absolutely. Mark Freedman is a founder of the results-based accountability approach which, just as the title implies, it is about starting with the end in mind. It is about that targeted impact. It is reducing the uninsured children by why, now that is your target and then you work backwards and in helping the non-profit sector understand that we have some ground to gain, not that we haven't been doing it but to articulate it in that way. Start with the results and then the means to get to that result.

Mr. Peters said that is the point, agencies like the United Way have been funding agencies, and they just say this is going into the general fund and it is going to be allocated, we will get a managing agency. The target is what programming are you going to use this money for and it is difficult for them to change the paradigm, now I have to measure why I am given the money.

Ms. Williamson said I agree with you totally because what you have been doing for your after school program, how did it result in the children's academic success, then the curriculum or the qualification that you have been looking for from your teachers. It gets to accountability, you might want the children to be great and be served but if you're not, it is all about performance. My point is, that model exist and in LANO our job is to help insure that there is that pervasive appreciation of understanding through education and training on how non-profits can all rise to that.

Mr. Fenstermaker said the only observation I have, well, I have been involved with some non-profits, In some I know there are some city funds. There are no state funds, but there are some sunset provisions set up in the very beginning, and from an innovation standpoint you can't be everything to everybody and you have to also leverage others coming on line where you see a need you need to solve. Do you all have any model where you would take on someone and fund them for a period of time but they would know up front that the period of time is X and that as part of their

processes they would have to aim towards a self funding mechanism, whether it be raised in the private community, most probably it would be, but that would also be funding.

Ms. Williamson said you are exactly right on earned income strategy. Just like any other portfolio or financial portfolio, non-profit portfolios must be diversified and the notion of earned income strategy where for example in Lake Charles, with Family and Youth Counseling Services, they are a non-profit. But they are the EAP provider for some of the major chemical industries. So here is a non-profit providing fee for service, not about a government contract public sector dollars but fee for service that is on line with there mission. We do understand the importance. It goes to education and development.

Mr. Fenstermaker said but they can be a temporary fuel source.

Ms. Williamson said absolutely. Many times private funds will be that much more readily provided when they know that they are being leveled with public funds. You are totally on point. That also goes to some opportunities in government to assure that when you are entering into that contract or you are structuring your RFP, or request for proposal, that you insure that the non-profit provider provide its financial plan by month six or month ten, etc., of how it's fund development will assure sustain ability.

Mr. Peters asked the name of the agency in Lake Charles.

Ms. Williamson said Family Youth Counseling Services.

Mr. Roy Martin asked about the Safety Council. That is a fee for service as well?

Ms. Williamson said it is.

Mr. Martin asked Ms. Williamson who was she delivering her services to? The state spends fifty-five million dollars a year on average, the last three years on workers compensation expense and that will be something that could be right on the point.

Ms. Williamson said she does not have all the facts and figures on the Safety Council.

Mr. Peters asked if it was in Shreveport?

Ms. Williamson said that there are multiple councils across the state.

Mr. Peters said that the Safety Council head office in Louisiana is in Baton Rouge.

Ms. Williamson said yes and I am speaking of is in Baton Rouge. This is Kathy's operation. I would be happy to ask Kathy for some written testimony and to get you some facts and figures about her business model.

Mr. Martin said that would be very helpful. There are several agencies in the state that have very poor safety records.

Mr. Martin asked if the references made about HB 1, were those actual line items in the appropriations bill? Can you get us a list of agencies that are not LANO certified?

Ms. Williamson said yes sir.

Mr. Martin said I am sure that the thirty million dollars is one of the budget items that is going to be reduced.

Ms. Williams said that the greater concern of the membership and of the sector at large is that the way the non profit sector at large is being perceived as being pinpointed and this thirty million dollars of non-profit line items and her message of being more clear is that the work that state government does with the non-profit sector and local government is one much larger than those thirty million dollars in line items. Many non-profits and their public - private partnerships are built into the actual budgets of the state departments. There is incredibly remarkable work being done in our partnership between state government and the non-profits but there is a broad brush stroke being painted out there right now that unfairly characterizes that relationship and leaves the public with the impression that the state government's business with non-profits is not transparent, not as open, not as competitive as it should be. LANO recognizes that there could be a much better way to do this than the line item process.

Mr. Martin said the other part that has been brought over is the Capital Outlay bill. Non-governmental agencies have projects in that bill.

Ms. Williamson said it will be pretty similar, in that we understand that there are definitely infrastructure needs among the non-profit sector and we expect to be held accountable for our part.

Mr. Martin said when we had the representative from the Department of Public Safety and Corrections here from Baton Rouge, the recidivism rate was brought up and he cited a similar statistic of one percent and twelve million dollars. How much capacity do you think you have as a group in case this were to be recognized as an initiative of the department? How much capacity do you believe you have? You have to be careful what you ask for.

Ms. Williams said I appreciate that and I respect your work too much to speculate.

Mr. Martin said may be another response that we would like to get from you. That is something that everyone recognizes as something that is preventable, like accidents. I know a recommendation will come out of one of these advisory groups to make sure that everyone that is paroled has a GED. Even though they have a high school diploma they may not be functionally literate as they move back into society. We also work with Partners in Literacy in central Louisiana which has been working on that.

Ms. Williamson said great.

Mr. Martin said thank you. Thank you so much.

Ms. Williams said I really appreciate the work that you are doing and please know that I remain available if you have any later questions. Thank you very much.

Mr. Martin said I would also like to thank Lt. Gov. Landrieu for sending a representative here today; we recognize him as well. Next we have Chancellor Mike Martin with Louisiana State University and Interim Vice Chancellor Eric Monday to speak about various financial areas of Louisiana State University.

Chancellor Mike Martin said I am delighted to be here and to all the members of this commission I want you to know that those of us in higher education look forward to the outcomes of this. I think we all know that we have to continue to find ways to be more efficient if we are going to carry on our mission and be successful at it, given the state's economy and the state of higher education in general. We know that there are always ways that we can improve the way we conduct the business of the university, so we are not here to try and argue that we have succeeded but that we are working toward success. Universities spend their money, where ever they get it, in one of three big ways. One is in programs; that is, the true relationship between students, faculty and research, kind of at the essence. Then we have a variety of ways in which we support that research, whether it is through lab technicians or equipment, those kinds of things. And then there is administration, that overhead that covers and manages all of that. At LSU A&M, I believe we have been very successful in recent years in managing all that.

This is a decade long change. In 1999, community colleges spent about 51.2% of their funds on programs; by 2008, that had dropped to about 43.5%. And there had been a modest increase in administration. What clearly was happening is the cost of support was increasing. For the four year colleges as a average they were spending about 54.9% of their budget on programs in '99 and about the same amount in 2008. At LSU A&M we were spending 59.1% of our funds on programs in '99 and nearly 68% in 2008. We had brought down the cost of administration from 8.7% of our budget to 7.09%. And so in the average four year institutions continue to spend slightly less than 12% of their funds on administration. What we have been able to do through a variety of means, I believe with reasonable success, is through outsourcing and a variety of other means to reduce that cost of support in particular and to hold down the cost of administration, so as to drive as many dollars as we can as close to the ground as possible. I think we have been pretty good at it, and I would let Eric jump in at any time he wants to get into details.

In 1997, we outsourced the dining services on campus. In 2000, we outsourced the bookstore. In 2002, we outsourced concessions. There are a variety of other kinds of things we outsourced. For instance, for certain kinds of repair and construction projects we go outside the institution beyond our own boundaries and we continue to look at that. You probably know if you have been to a football game on our campus the day after a football game the campus is a mess. We use inmates who come in at dawn and clean up the campus. We use that as a kind of labor for lots of activities around the campus. This gives those inmates a chance to get out and get some exercise and do some good, and greatly enhance leveragingl of our resources. What we have accomplished today however, is we have largely exercised our own internally economies in size. We have done this largely on our own. I am convinced that as we look across all the sorts of functions we do besides our core

programs, there may be opportunities for us to share with other universities and other public agencies ways in which we can garner greater economies of size, in reducing the cost of the businesses that support our core business. And we are very interested in what the Commission is suggesting that might take us in that direction. We will share with you if you haven't seen it. We don't have a huge fleet of vehicles but we will certainly look at ways in which we might be able to utilize and share vehicles. We will continue to look for other ways in which we may be able to pool purchases or other kinds of risk across institutions. I'll be honest with you, our system does not give us much systematic intent to reduce our costs.

Mr. Martin asked would you repeat that?

Chancellor Martin said what happens is we have not taken advantage of many opportunities other than to provide accounting services and a few other things to our sister institutions, to join together and try to reduce costs. If you are in Eunice, you order your own Xerox paper; if you are at Alexandria, you order own Xerox paper; and we do the same. Now we are big enough as a single institution to have some size and muscle but I'm not sure the others do. Part of it is that within the LSU system, the system itself has sort of none complementary elements to it. There are some common expenses that we know we all have, that there maybe some serious saving that could improve if we chose to go after those services and purchases collectively rather than on an individual basis. We could for example move faculty to high-end technology rather than purchase that technology for each campus.

We have the University Press which, by the way you may know I got a little press on when I started to cut the university budget. Many other states have gone away from individual university presses. University of Florida no longer has University of Florida Press; they now have the University Press of Florida which is shared by all the institutions. Will the savings be enormous? Probably not, but they will be meaningful. As you sum those up there may be ways we can do collective business better in Louisiana.

Mr. Raymond Peters said that is what is exacerbating the problem more when you look at the technical community college system, because they are so small that they have no purchasing power on their own.

Chancellor Martin said I agree. Here we are about a five iron away from Southern and a seven iron away from BRCC and the question is, where are all the things we buy for higher education that we have to purchase?

Mr. Fenstermaker asked is that all bought on state contract?

Chancellor Martin said No most of the campuses do their own purchasing. And Eric, you can answer that.

Vice Chancellor Monday said it depends on the campus. A lot of them are doing state contract but a lot of them are doing there own procurement. It depends on the item.

Chancellor Martin said and if we came together, I don't know what they all are, I know what we order. There are many of those cases where it might be a slightly less convenient. It might be worth it if we explored that. It's an open question.

Mr. Martin asked what is it going to take to explore that possibility?

Chancellor Martin said I think the recommendations coming out of this commission will give us all motivation to sit down and say let's ignore the governance boundaries and organizational boundaries and ask what the cross cutting issues are. We have gone out of our way to do some of the things we can do: provide services to the smaller campuses what we know we can do fairly efficiently, like payroll, accounting services and the like. We've done some of the contract administration because, basically we're the biggest dog in that hunt so to speak. But I don't know that we've taken the time to sit down and ask the question. Let's look at our purchases, both of outside services and of materials and equipment and the like, for a couple of years and see what the common threads are across all institutions and determine if there is a better way to do it. One of the problems is we buy a lot of high end equipment and technical equipment and the like which tends to become obsolete four times faster than we can wear it out.

Mr Martin said I will give you an example of that.

Chancellor Martin said and it is breaking the mind set of the faculty who believe that they brought in a grant or contract and hence they own it. Whatever money that comes in as grants, contracts or whatever comes to the university, but if we can reduce the cost and the redundancy in some of those things. Some of those things are pretty high end stuff. We are poor economists when we get a grant and all we buy is pencils, those in the social sciences. We need to look across the system. We have Pennington down the street, and we have several other major research facilities that buy similar stuff. A perfect example of a success story of late is the joint venture we are in with Mary Byrd Perkins where we have gone together to buy some very high end equipment to do radiation treatment. We have the faculty that put it in place, manage it and know how to use it. And they have the patients and practitioners who need it. So we came together to provide that. I think we have had some real successes and I congratulate Eric and folks that have been here a lot longer than I have for having thought through better ways to do business.

We are open to recommendations and opportunities to do business better. I am not ever going to argue that it couldn't be done better. We need to reach beyond the boundaries of the campus and think creatively about ways in which we can use the muscle of higher education and beyond to see if we can lower whatever those costs are of administration and of support so that as we face the budget challenges we can put every dime as close to the ground of the student experience and the discovery experience. We are now looking at new ways to build residences and see if we can get a private sector firm to build and manage those facilities on our properties, so much the better. We want to get out of that business as much as possible, particularly with married student housing. We are looking at, can we do it without bonding it ourselves and managing it ourselves? Those are the things we are trying to look at. Eric is working on that now.

Mr. Martin asked if this commission recommends that you centralize the purchasing for higher education facilities, would that be

Chancellor Martin said I think that the proviso might be for all those common elements. I think it could make perfectly good sense. I worked with a smaller system in New Mexico that did just that. We centralized as much of that as we could. Frankly, it will give us some air coverage from this commission, if that is recommended, to give us all a chance to try something. We can go back to those who said we can't do it that way and say we have no choice. We have to give it a try.

Mr. Martin said that is an excellent suggestion and we will take that under serious consideration. There are many things like building maintenance that other government agencies have outsourced successfully.

Vice Chancellor Monday said that in response to our phone conversation you asked about some of our outsourcing and other issues. This represents three of LSU's largest initiatives. So it shows you dining, it shows you bookstore and it shows you concessions. (Provided a chart) We also show you what we averaged in the form of returns before and in the years since on average of our personnel cost before and personnel cost after, and the last column which I think is very, very meaningful – it shows the amount of investment from the private sector into public sector facilities. We are talking about numbers that are approaching twenty-six million dollars in commitments, over nineteen has been spent to date, and we believe the services that we provide, specifically dining and the bookstore, are essential to the retention and recruitment of students at our university. This relates specifically to the quality of life at our university.

Mr. Martin said I would like to read into the record some of this on dining. You have 15.1 million dollars expenditure for dining in 1992 -1996 and in 1998 - 2000, after outsourcing, that you saved 6.1 million. Is that what is represented here?

Vice Chancellor Monday said the last column represents total investment. In the twelve years that we've had dining outsourced, we have invested 15.1 million dollars. We have 6.1 million dollars that is unexpended in the investment that we are investing. Right now we are redoing a couple of our dining halls as we speak.

Chancellor Martin said we are getting them to build us facilities and serve our students.

Vice Chancellor Monday said if you look at the average returns to the institution before we outsourced, we were losing on an average of one hundred and sixty-seven thousand dollars a year. After outsourcing, we are returning to the institution on average one hundred and ninety-three thousand dollars a year. If you go to the bottom of the report, that information tells some pretty amazing stories. One hundred and sixty-six fewer full time equivalent employees, 2.4 million approximately in personnel savings, a positive return in growth in each one of these functions in net to the institution and an investment of nearly twenty-six million dollars.

Chancellor Martin said and I think it is important to note that the students like it.

Interim Chancellor Monday said that this is one component, one metric of success. The quality is another component so what do we do? We go through a process of looking at student satisfaction. We have extended the dining contract already once. We are talking about extending the bookstore contract and as we extend that we go into a process of student feedback on regular and predictable

cycles. This has been very, very successful for this institution, and we don't believe outsourcing is the only answer but we do believe that it is one that we have to continue to consider when we look at these types of quality of life services.

Mr. Peters said that it is the same business model that Barnes and Noble themselves are using because many of the bookstore around the state and other universities are Barnes and Novel bookstores.

Chancellor Martin said I haven't looked at their books but my assumption is, where they really make up the difference is on the soft goods. They can order sweatshirts at a whole lot lower cost per unit than we can ever do on our own. So on all of the non-book stuff and that's what they've turned into.

Mr. Martin asked Mr. Monday, have you looked at square footage that they have to maintain on campus? The total cost per square footage?

Vice Chancellor Monday said the institution several years ago tried to outsource a component of the custodial work in some segments of the campus and that was not a positive experience. What we found is the differential, . . . what happens on these is, the economies of scale help so much. When we move up to custodial it became a price issue. We were providing in very similar ways for our own custodians and they were wages and also getting benefits. Those trying it from the outsourcing side were trying to squeeze the wage element a bit tighter to make that profit margin, and it led to some degradation in the quality of the employee. That was several years ago. The market continues to change. It is something we will continue to look at and evaluate.

Mr. Martin asked do you know how many full time equivalents you have? Total employees in the custodial area?

Vice Chancellor Monday said sure.

Chancellor Martin said we have just made a leadership change in our facility, and in the process of doing that we are going to look at that entire business funding, not just custodial but repairs, regular maintenance, and where we go outside the institution, where we provide the modest maintenance and repair. We are going to look at the whole business model.

Mr. Fenstermaker said that one thought that came about is that for the years and years we went to an airport and it was used for housing people temporarily while they got on an airplane. And now in most airports you have a whole shopping center, where a tremendous amount of retail space is rented out so people are able to make money or lose money – the risk is theirs. Are there any laws that prevent you from doing that on Louisiana campuses?

Chancellor Martin said we do have that now, like McDonald's and Einstein Bagel in the student center.

Vice Chancellor Monday said we use Revised Statute 17:3361. It is sometimes referred to as the fraternity/sorority statute. It allows an institution of higher learning to grant a lease of up to ninety-nine years to a for-profit or a not-for-profit company that makes an improvement to the scientific, research or public service mission of the institution. LSU is one of the first universities to use that in '97 when we outsourced food. It was a ten year contract. We were able to use it, so we have used that for a number of services: bookstore, concessions, Campus Federal Credit Union, as examples.

Mr. Fenstermaker said even beyond that with a little creative thinking. . . . Do you have a marketing component? You can leverage by not building sometimes, and that leverage is worth a lot because if you said on this part of the campus in Baton Rouge you would not build student housing but we will sign deals with people who will come in and fill that role, and you will have a profit share and the mix in there with the retail, you can have an economic interest. What I am fishing for maybe that one law or statute, does that statute need to be broadened to allow you not have to work around something to make it something that would be conducive to really thinking outside the box and try maybe something like you have that were expenses before and you turn them into tremendous revenue generating entities?

If you go to a resort location in the Dominican Republic and there you have American corporations that have come in and maybe in an agriculture side, they can not take some of that money outside of the country but rather they have to spend it back into that development. What you could do is say that part of it is just a matter of economic whether or not you get the profits up front and you get it – cash which you may not be able to keep it – and the second part is if not, how do you invest it back into the campus?

Chancellor Martin said we have been talking about a model not unlike that. I have been using the term "The Tiger Development Corporation," in which we would become an equity stakeholder with the private sector in developing not only housing but eventually beyond the campus into the community.

Mr. Martin said that this commission is not just looking at outsourcing but also at anything like law changes that we need to be made to become a better state.

Chancellor Martin said I know you won't get directly into the higher education stuff but I would say the other thing that I observed is we end up having a couple of problems in two areas, parking and classroom usage. The other thing is to give them the right to discount tuition for the off hours classes and move the students, through that incentive, out to times later in the day and evening so we better spread the utilization of the campus.

Mr. Martin said the other thing is the use of an outside business, like a call center for instance, that typically hires students.

Chancellor Martin said we are hosting EA Sports quality assurance. They have hired thirty students to test their products, their games, and now it appears they are going to move a big block of their people from Orlando to our campus. We will have a building built so we can use but not by us but by them to house their research and development arm.

Mr. Fenstermaker said so if he think of any laws slowing your ability to explore these opportunities we would be excited to hear about them.

Vice Chancellor Monday said in answer to your earlier question, in Fall of '08, the university had 259 positions in the category "skilled craft" and 527 in service maintenance, 786 and that is out of 5,301. So we are talking 11%.

Mr. Martin asked do you know the building square footage?

Vice Chancellor Monday said I can get that. It is over a million square feet. We have 250 principal buildings.

Chancellor Martin said we will look for any opportunity in this environment to find ways to do it better.

Mr. Martin said I have a list that I have provided. Commissioner Davis and I have been very attuned to the number of state vehicles. I show from the Office of Risk Management that the campus has 405 licensed vehicles. I was wondering if you have looked at those vehicle and the number of annual miles usage and the number of times per month that these vehicles were used. The Department of Environmental Quality did this about a month and a half ago or so, and they got rid of 15% of their vehicles, specifically the ones that were used less than ten times per month.

Vice Chancellor Monday said I do not have the data on how many times per month but our numbers are very similar to what you have. 44% of LSU's fleet is over ten years old. Fiscal year '09, twenty-two vehicles were traded for new or used models from state fleet to reduce our cost. The vast majority of our vehicles are in a few categories, one being facility services. We are working on right now the Fleet Management Plan for 2010 and we are looking at each vehicle that was driven less than fifteen hundred miles per year. In the next phase we are going to look at new purchases. We are also going to be talking about whether or not under-utilized vehicles can be used rather than new purchases. We have some other things we are looking at like car sharing. It is a service provided to students, not just for the administrative office or faculty staff. We would love to see a model where we are utilizing the same company that is licensed with the state as a state rental program; second, provide car sharing services to our students; and, third, allow us to move to a fleet concept rather than individual vehicles. If we go to one firm that provides all those services, then it will be more inexpensive for the institution to rent a vehicle than to pay the mileage rate. For our trip here today, we get fifty-two cents a mile. Depending on the trip, it is more inexpensive to go to Enterprise.

Mr. Martin said it is fifty dollars a day. I know because I just signed checks today for my company. We eliminated virtually all of our company vehicles. Angele Davis is working on that and so far that has delivered positive results. Part of that overhead is that 786 employees that you have in maintenance, was it 54% of your vehicles?

Vice Chancellor Monday said one hundred eighty-three of our vehicles, over a third.

Mr. Martin said that one hundred and eighty-three is something you can look at. You are looking at this with the right frame of mine.

Chancellor Martin said on Risk Management you asked us to look at that. On that we have about twelve thousand plus paid employees. Of that five thousand are full time and we have a number of student employees which are in a different category. I think 1.95 % have filed claims or 2%. I don't know where that stacks up.

Mr. Martin said that as an office facility, it is high compared to industry. Noting that you have the veterinary school which is a high risk area. We feel that all accidents are preventable. And 2% of five thousand, we are looking at a .2% would be an office area incident rate. That is an opportunity. If I do anything with this commission it is to raise the awareness of safety throughout the state.

Chancellor Martin said not only to prevent the cost in money but the cost in pain and suffering by the employee.

Mr. Martin said the problem seems to be that it is not on your radar screen.

Vice Chancellor Monday said that timing is very good for us right now. In fact, a job is being put out on the street for a new Executive Director for Risk Management for the campus.

Mr. Fenstermaker said it is a hot topic right now.

Mr. Martin said we also asked about clerical support and supervisors. This is something that again I draw a fine line between the financial side of our education structure and the side of education side and many of these suggestions are going to be in the form of information to our sister commission that is looking at higher education. We feel like it is not germane to our commission to talk about the two boards. But we do want to look at those ratios, such as clerical to supervisor, to see what those look like.

Vice Chancellor Monday said we looked at that and let's say if you want to remove faculty from this discussion, let's say we just want to remove faculty because that inflates the number up. So we removed faculty. We are looking at the most conservative, I would argue, we are looking at a one to six ratio. One clerical to six and so what we are looking at is a staff of two thousand and six and clerical three hundred and sixty-eight. When you look at our reporting statistics the clerical and secretarial category is being consistently reduced over the last five years. That ratio, we are pretty comfortable with that ratio. One could argue that the ratio is starting to get a little high where we are taking sixty, seventy, eighty thousand dollar a year employees doing clerical work.

Mr. Fenstermaker asked if it was benchmarked with other universities?

Vice Chancellor Monday said we have not benchmarked that specifically, no.

Mr. Martin asked do you feel like the accounting system is up to task?

Vice Chancellor Monday said that LSU over the last twenty or so years has built almost all of our systems. We have purchased very little off the shelf. Almost every system we have is home grown. It produces unbelievable data that we need as management to make decisions. But the back-end programming is in COBOL, and we are not going to have a COBOL programmer on our campus much longer. We have right now twenty COBOL developers. By 2018, based on retirement patterns that we have, we will be down to nine. So what we have done, we have brought in Brian Boss as our CIO from Indiana, who is one of the premier information technology persons. We have been implementing something we call Network 2010, which is to build the network that is ready to move to that next level. We are very close to implementing that now. What we have to do over the next twenty-four months is make a decision on where we are going to go.

One option is to home grow it again. But we will be right where we are now in another ten years. Another option is, we can get very qualified in the growing open source software system being developed for higher education, which is called Quali. Indiana is a major player in that.

Chancellor Martin said I have talked with Mr. Boss and I will trust the judgement of the one that knows more about that than I do.

Mr. Fenstermaker said that Oracle is a bureaucracy in itself, and it is a very expensive system. We used it in the hospital and the data base was off and it was because the legacy systems didn't provide the numbers put in if you have a tremendous amount of data and that is important. One thing you don't want to do is have different functions running on different systems. But you can have them all dump into a SQL based or an Oracle based system where all that can be attached and build the front end, then you are never at a loss for updating. Keep your eyes open and don't rush into anything.

Mr. Martin said let's get to the building program. A lot of state money and private money goes into this area on all campuses. How do we go about needs assessment on these buildings? Architect control, shall we say?

Vice Chancellor Monday said the process that we have fallen into as an institution, we talked about building programs. It is going to start at the dean or the department level. They may be a major donor. They may come forward. They won't know where we are going. We have different needs. So we do an internal review – we call it preliminary architectural program. And that is done with our internal resources in our facilities development group. So before we engage a planner or engage anyone, we look at it internally. They build out a time line and look at the current space inventory to understand what the future space inventory needs are. Whenever that department or that program wants to do something it has to be consistent with the Chancellor and the Provost, to meet the vision and needs of the institution as a whole. Secondly, if we move through phase one and this is still something we want to do, we then go to external phase and we hire an architect. That person, that job, and that team comes in and looks at the program and they define the true architectural program. Facility Planning wants to see these now. We found it to be very, very cost effective doing it that way. Eventually, we try to get it on capital outlay or we look at a public-private partnership.

Mr. Martin said after the final product, does anyone look back to see if what was built is what you wanted? Is this what Facility Planning asked for? One particular building came out to be five

hundred dollars a square foot which caught my eye and I am not sure that anyone is going to be happy with that. I am not positive anyone will be happy with that building.

Chancellor Martin said we need to go back and rethink whether there has been some sort of psychological drift in this because as we envisioned this it has gotten more grandiose. But the budget hasn't gone up. We need to go back and see what's the essential, core facility we must provide to meet within the boundaries of what we can afford.

Mr. Martin said the other thing that I am wondering too, Eric, is in the planning process, does any body look at your ten million square feet of space now and look at the use now of that space. Specifically, I'm thinking about the Field House, for instance, and see if that particular space would be better used housing another area and you take the Field House services elsewhere cheaper structure? That is the other type of thinking that I didn't hear in my investigation. I think it is a great idea about spreading out the classes. That's what I would call utilizing your undercapacity.

Chancellor Martin said that the math is pretty simple on it. You can kind of look at the survey of business on it just like you say. From 9:00 to about 3:00 we pack them in and then it drifts way off. We will certainly and the band hall will be a good one to go back and look at. We now have a new Dean and we are going to sit down and have a chat with the Dean about how he sees this coming into play. We also will have a new band director.

Mr. Fenstermaker said you have to look at what is coming, what does the library of the future look like. If you could place in a closet the Library of Congress and some of the best libraries in the world, do we even need a library. We came up, envisioning and looking out there and we said, yes, we do need a library. But a library is different. A library is a safe place to create content, not to receive content necessarily. Therefore, it changes all the dynamics of what a library should be and somehow some creative talents somewhere ought to be able to fund it.

Chancellor Martin said that it is very fertile ground to explore. I have spoke to LaMotte at Southern about, should you teach all the Spanish and we'll teach all the French, and right now we have merged our ROTC. If you come to LSU and want to be in the Navy, you take your ROTC at Southern. If you want to be in the Army at Southern, you take your ROTC at LSU. There is a whole series. We need to sit down and say is there another way to distribute any class or classes from a single source and replace it with things we are doing on campuses?

Mr. Martin said that just for the record Mr. Monday provided the commission and he will have to get that into the record; it is one hundred and twenty-eight pages, listing all the curricula for the Louisiana State University and the graduates. I stopped at two dozen different curricula that we support that have less than five graduates. If you look at this as a statewide issue now you are talking about a tremendous amount of money and I will forward to our sister commission that information.

Chancellor Martin said that many of these important and peripheral areas can be electronically delivered and we are finding that more and more students are moving back and forth between campuses.

Mr. Martin said that by gathering the information we have learned a tremendous amount already. When you gather that information together some obvious conclusions are reached. You do have a number of redundancies.

Chancellor Martin said we have redundant programs or programs whose viability may no longer be economically sustainable. At some point you have to ask how few students can you afford to subsidize in a low demand curriculum?

Mr. Martin said that it would also be interesting to look at cost per degree.

Chancellor Martin said true cost per credit hour.

Vice Chancellor Monday said that Bob Coon, who runs our budgeting and planning organization, has been working on that for the last few weeks and we talked about program elimination and program revenue. So we are talking about, say, college X has two thousand students and the budget is twenty million dollars. We are upside down.

Chancellor Martin said that we have to evaluate all that. There are some programs that have just lost interest.

Mr. Fenstermaker said it comes down to cost per degree. Then you are letting the students vote as to what programs are the ones they need.

Chancellor Martin said that you still want to maintain some core that we believe you need to know.

Mr. Martin said that for the record, statewide we have eleven masters of business programs.

Chancellor Martin said there are legitimate questions about how many we need and having similar programs in so many places. Can we have a single source for some of these programs? We want to keep the cost down and the last thing we want to do is diminish the quality of an institution that is risen significantly in the last several years.

Mr. Martin asked can you give us some follow-up sometime in December?

Chancellor Martin said I sure can.

Mr. Martin said that we have a new proposal and one housekeeping item. Our first twenty recommendations we need to re-review and re-advise and make a couple of changes to them. Number ten we need to change because we have a misspelled word. The first word should be partially.

Mr. Wade, Committee Coordinator, said we need a motion.

Mr. Martin said right, we need a motion. Mr. Fenstermaker moved to correct the spelling and Mr. Peters seconded. Motion passed without opposition.

Mr. Martin said the next item is number nineteen. The wording . . . this is looking for a RFP from the Office of Risk Management on Worker's Comp Claims Management and it says an RFP be issued looking at the possibility of outsourcing the Worker's Comp Claim Management Process to a private company and eliminating fraud by eliminating the online claim system. What we found was that it was very, very easy to file a worker's compensation claim. I need a motion for that.

Mr. Fenstermaker made the motion as stated by the Chairman. Mr. Peters seconded the motion. Without opposition, the motion passed.

Mr. Martin said next they need a motion to confirm the recommendations one through twenty and to refer them back to the full commission for adoption. Mr. Martin made the motion, which was seconded by Mr. Fenstermaker. Without opposition, the motion passed.

Mr. Martin brought up the next set of proposals that are called Martin 01, 02, 03, 04, 05, and 06.

The first one is about the Office of Mental Health and the Office for Addictive Disorders in DHH and this is a recommendation from the Secretary, Allen Levine, to combine the administrative functions for both of these areas of care into a consolidated Office of Behavioral Health. The new office will increase access to most appropriate care for a significant number of persons with both mental illness and one or more addictive disorders, co-occurring disorders. That is about fifty percent of each of the two current offices' client population. That will save about three hundred and fifty thousand dollars annually. The summary description is to create Office of Behavioral Health under the Dept of Health and Hospitals.

Mr. Fenstermaker moved to approve the recommendation and Mr. Peters seconded. Without opposition, the motion passed.

Mr. Martin introduced the next item. This involves the Department of Transportation Development, which has a airplane that photographs highway system. It is now being used but they can get satellite photos, so the recommendation is to eliminate the operation of the airplane. The annual benefits will be six hundred thousand dollars a year, not including the potential sale of the airplane.

Mr. Fenstermaker asked if he has gone through this already.

Mr. Martin said we have gone through this.

Mr. Fenstermaker said there is a big difference between this type photography and satellite imagery. The department is pretty much on board with this?

Mr. Martin said they are totally on board with this. This is a 1960's-70's procedure that has gone on for decades.

Mr. Fenstermaker moved and Mr. Peters seconded. Without opposition, the motion passed.

Mr. Martin introduced the next recommendation. It is also from the Department of Transportation and Development. All of the ferry routes . . . there are three ferry routes that cost over fifty dollars per car for a trip in Duty, Louisiana, up in North Louisiana, and the Melville Ferry and the White Castle Ferry. The Secretary recommends that those three ferry routes be eliminated; there are bridges within twenty miles of the ferry route and that will save over one million dollars annually.

Mr. Fenstermaker moved and Mr. Peters seconded. Without opposition, the motion passed.

Mr. Martin introduced the next recommendation from Corrections That is to outsource pharmaceutical services for each prison to a private firm. He feels like they have a staff right now and he feels, according to his RFP, they would save the prison system one million, two hundred thousand dollars per year. This is a recommendation from the Secretary.

Mr. Fenstermaker moved and Mr. Peters seconded. Without opposition, the motion passed.

Mr. Martin introduced the next recommendation. This would be to outsource the collection of probation and parole fees. There is a problem with collections across the agencies and it is particularly prevalent in probation and parole fees, garnishments, collections and so forth. These officers are spending 30% of their time trying to go after these garnishments and parole fees, fines, etc., and we feel like that should be centralized statewide with other uncollected accounts receivable which is totaling over a billion dollars. The Secretary feels like that, this would save 3.7 million dollars per year in corrections time.

Mr. Fenstermaker asked could they combine that with DSS?

Mr. Martin said they believe that all will have basically a credit manager.

Mr. Fenstermaker asked this is just for the Department of Public Safety, the three million and seven ,and other agencies will be an additional savings?

Mr. Martin said yes, a tremendous savings. But this is just related to the probation and parole fees, not the other collections.

Mr. Fenstermaker moved and Mr. Peters seconded. Without opposition, the motion passed.

Mr. Martin introduced the next recommendation, number 6, that comes from the Governor's Office of Homeland Security and Emergency Preparedness. They are maintaining water and ready-to-eat meals in different warehouses throughout the state. The rations have a shelf life and they have located a private firm that will take over the warehousing and readiness of these meals and water for an annual savings of two million dollars.

Mr. Fenstermaker moved and Mr. Peters seconded. Without opposition, the motion passed.

Mr. Martin said the twenty- five recommendation will go to the full committee on Tuesday.

Mr. Wade said these may not. That was one of the things they discussed this morning in their meeting because the Chairman was anticipating trying to give the public about fourteen days to respond on that since we just got these from the commission.

Mr. Martin said that the rule actually is no more than fourteen days.

Mr. Wade said that since it was just a week. There was some talk about the twenty would come back in on Tuesday and the six would not; they will come up the following week.

Mr. Martin said that we will have the six to come up on the first. Any other advisory comments? Any public comments? Hearing none the meeting is adjourned.

VI. PUBLIC COMMENTS

None

VI. ADJOURNMENT

Mr. Martin, the Chairman, said that since there was no further business to come before the committee, the meeting was adjourned. The meeting was adjourned at 3:50pm.

11-10-09

Roy O. Martin, Chairman

Date Approved